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TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
SENATE BILL NO. 785, S.D. 1

**March 12, 2019**  
**9:00 a.m.**  
**Room 309**

RELATING TO COLLECTIVE BARGAINING

Senate Bill No. 785, S.D. 1, amends Chapter 89, HRS, to allow the negotiation of Hawaii Employer-Union Health Benefits Trust Fund (EUTF) benefits and to repeal the prohibition of using arbitration to resolve impasses or disputes relating to EUTF contributions/benefits, allowing arbitration panels to decide on EUTF matters. The bill also removes the prohibition of striking over the issue of employer EUTF contributions.

The Department of Budget and Finance strongly opposes this bill for the following reasons.

First, allowing each bargaining unit to negotiate its own benefits could essentially create 14 different pools of employees, reducing the economies of scale in negotiations with carriers and increasing administrative complexity for EUTF. Each negotiating team would need to be advised or trained in health benefit matters, including compliance with federal requirements.

Second, allowing arbitration panels to decide matters relating to EUTF is fraught with uncertainty. Arbitration panels are tasked to consider the employer's ability to pay and overall economic conditions. Panels often fail to grasp the complexities of the State

budget and under the provisions of this measure, they would also need to become experts in health benefit plan design. While difficult fiscal conditions can make it challenging to reach resolutions in collective bargaining negotiations, altering the current process by allowing binding arbitration would take this critical decision out of the hands of elected leaders and put it in the hands of unelected and unaccountable arbitrators. Although the Legislature would still have the authority to reject an arbitration award, it appears all cost items would be rejected, not just EUTF contributions. The end result of this bill could result in giving the Legislature a choice of fully conceding control of this significant portion of the budget to arbitration panels or risk unending collective bargaining negotiations.

Thank you for your consideration of our comments.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

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The Thirtieth Legislature, State of Hawaii  
House of Representatives  
Committee on Labor and Public Employment

Testimony by  
Hawaii Government Employees Association

March 12, 2019

S.B. 785, S.D. 1 – RELATING TO COLLECTIVE BARGAINING

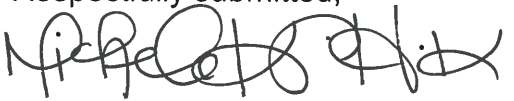
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 785, S.D. 1 which allows the scope of negotiations to include health benefits and allows Employers and Exclusive Representatives to resolve disputes over the health benefits and the amounts of contributions each party pays through binding arbitration.

This measure is part of a larger effort to reform the Employer-Union Health Benefits Trust Fund (EUTF) to make health care more affordable and flexible for employees. Health care benefits are an integral part of every employee's total compensation package and therefore we firmly believe that both the plan design and the cost-share of the health benefits should be negotiated between Employers and Exclusive Representatives.

All employees deserve affordable health care options but this is especially necessary for employees who need family coverage and who are in a lower salary range. Employees who participate in the EUTF often pay 40% of the total cost of their medical premiums regardless of how much they earn, which depending on the plan and type of enrollment, can be as high as \$1,300 per month for family coverage. This is simply unaffordable for too many. By negotiating both premiums and benefits like the private sector, Exclusive Representatives can identify benefit features that can be reduced or restructured without eliminating key coverage areas. Another objective of negotiating benefits is to promote preventive care while discouraging care that is not needed. Through negotiations, there will be greater incentives to implement wellness programs, which can help control plan costs over the long-term.

Thank you for the opportunity to testify in strong support of S.B. 785, S.D. 1.

Respectfully submitted,

  
for Randy Perreira  
Executive Director

**LATE**



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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

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TESTIMONY BY DEREK MIZUNO  
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON SENATE BILL NO. 785 S.D.1

**March 12, 2019  
9:00 a.m.  
Room 309**

RELATING TO COLLECTIVE BARGAINING

Chair Johanson, Vice Chair Eli, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not taken a position on this bill. EUTF staff would like to provide comments.

This bill will subject EUTF health plan benefits and related employer contributions to collective bargaining and arbitration. Currently, such items are not subject to arbitration and EUTF health plan benefit designs are not subject to collective bargaining but are the responsibility of the EUTF Board of Trustees. Chapter 87A, Hawaii Revised Statutes states the following:

§87A-16(a) "The board shall establish the health benefits plan or plans, which shall be exempt from the minimum group requirements of chapter 431."

§87A-24 “Other powers. In addition to the power to administer the fund, the board may:... (8) Establish health benefits plan and long-term care benefit plan rates that include administrative and other expenses necessary to effectuate the purposes of the fund; and...”

§87A-31 “Trust fund; purpose. (a) The fund shall be used to provide employee-beneficiaries and dependent-beneficiaries with health and other benefit plans, and to pay administrative and other expenses of the fund...”

If the bill passes in its current form, it will conflict with 87A and could possibly lead to each bargaining unit creating their own set of active employee plans which could increase the current EUTF active employee plan total from 7 to 98 plans which would be a significant administrative burden.

Thank you for the opportunity to testify.



## HAWAII FIRE FIGHTERS ASSOCIATION

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### HOUSE OF REPRESENTATIVES THE THIRTIETH LEGISLATURE REGULAR SESSION OF 2019

March 12, 2019

Committee on Labor and Public Employment

Testimony by  
Hawaii Fire Fighters Association

**S.B. No. 785, S.D. 1**

**RELATING TO COLLECTIVE BARGAINING.**

The Hawaii Fire Fighters Association (HFFA), Local 1463, IAFF, AFL-CIO, represents more than 1,900 professional active-duty fire fighters throughout the State. The HFFA, on behalf of all of our members, **strongly supports Senate Bill 785, S.D. 1** which allows both the scope of collective bargaining negotiations to include benefits and the resolution of impasses relating to contribution disputes through binding arbitration.

Health care benefits are integral in an employee's total compensation package and HFFA has struggled with ensuring that medical premiums provided through the collective bargaining agreement remains affordable for our membership. **SB 785, S.D. 1** is part of a larger effort to reform the Employer-Union Health Benefits Trust Fund and HFFA believes that both the plan design and cost-share of the health benefits should be negotiated between the Employers and the Exclusive Representatives during the negotiation/arbitration process. Absent a resolution during negotiation, the measure allows the arbitration panel to consider and decide the contribution amounts by both the employer and the employees after thorough and deliberate consideration of the award in its totality.

HFFA appreciates your Committee's favorable consideration of this measure. Thank you for the opportunity to testify.